

**S.E.C. RULE 15c2-12  
ANNUAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2001**

The State of California (the "State"), acting by and through the State Treasurer's Office of the State of California, hereby provides its annual report for the fiscal year ended June 30, 2001 in connection with the following:

**Bond Issue**

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
California State University Headquarters Building Authority Lease Revenue Bonds, Series B	9/1/97	10/9/97

The base CUSIP number for the bond listed above is 13077K - \_ \_ \_.

Note: The base CUSIP number provided is for the convenience of Bondholders. The State Treasurer's Office is not responsible for the accuracy or completeness of such numbers.

**Annual Report**

The State's "annual report" (as defined in the Continuing Disclosure Agreement for the Bonds) for the fiscal year ended June 30, 2001 consists of:

1. Financial information (including the General Purpose Financial Statements for the State) contained in Appendix A of the Official Statement, dated March 1, 2002, with respect to State Public Works Board of the State of California Lease Revenue Bonds, 2002 Series A, 2002 Series B, and 2002 Series C (the "OS"), which information is incorporated herein by reference. A copy of the OS has previously been filed with each of the Nationally Recognized Municipal Securities Information Repositories and is available from any of them.
2. Audited financial statements of the Trustees. This information is provided in Exhibit 1 attached hereto.
3. Information concerning the outstanding long-term indebtedness of the Trustees. This information is provided in the table in Exhibit 2 attached hereto.
4. The insurance required by the Sublease relating to the Bonds is in effect.

## **Other Matters**

This annual report is provided solely for purposes of the Continuing Disclosure Agreement. The filing of this report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the State or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this report), or that no other information exists which may have a bearing on the State's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the State.

Dated: March 25, 2002

State of California

By \_\_\_\_\_  
Deputy Treasurer

**CALIFORNIA STATE UNIVERSITY**

Combined Financial Statements

June 30, 2001

(With Independent Auditors' Report Thereon)

# CALIFORNIA STATE UNIVERSITY

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Combined Balance Sheet	3
Combined Statement of Changes in Fund Balances and Net Assets	4
Combined Statement of Current Funds Revenues, Expenditures and Other Changes	5
Notes to Combined Financial Statements	6

## **Independent Auditors' Report**

The Board of Trustees  
California State University:

We have audited the accompanying combined balance sheet of the California State University as of June 30, 2001 and the related combined statements of changes in fund balances and net assets and current funds revenues, expenditures and other changes for the year then ended. These combined financial statements are the responsibility of the California State University's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of 69 of the 80 discretely presented auxiliary organizations, which statements reflect total assets constituting 83% and total revenues and other additions constituting 88% of the discretely presented totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 69 discretely presented auxiliary organizations, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the California State University as of June 30, 2001 and the changes in fund balances and net assets and current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2001 on our consideration of the California State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Orange County, California  
November 16, 2001

CALIFORNIA STATE UNIVERSITY

Combined Balance Sheet

June 30, 2001

Assets	Current funds		Loan funds	Endowment funds	Agency funds	Plant funds	Total University	Auxiliary organizations	Total reporting entity
	Unrestricted	Restricted					(memorandum only)		(memorandum only)
Cash and cash equivalents	\$ 156,454,000	4,392,000	3,584,000	53,000	6,741,000	5,444,000	176,668,000	207,746,000	384,414,000
Pledges receivable, net	—	—	—	—	—	—	—	74,087,000	74,087,000
Accounts receivable, net	332,064,000	25,459,000	118,681,000	895,000	2,307,000	403,178,000	882,584,000	206,648,000	1,089,232,000
Investments	613,871,000	29,775,000	11,623,000	22,807,000	19,232,000	234,409,000	931,717,000	713,370,000	1,645,087,000
Due from other funds	29,433,000	5,252,000	206,000	—	—	147,000	35,038,000	49,824,000	84,862,000
Prepaid expenses and other assets	32,281,000	50,000	42,000	—	—	2,154,000	34,527,000	163,223,000	197,750,000
Property, plant and equipment	—	—	—	—	—	6,037,732,000	6,037,732,000	383,542,000	6,421,274,000
Total assets	\$ 1,164,103,000	64,928,000	134,136,000	23,755,000	28,280,000	6,683,064,000	8,098,266,000	1,798,440,000	9,896,706,000
Liabilities, Fund Balances and Net Assets									
Liabilities:									
Accounts payable	\$ 132,407,000	6,528,000	838,000	—	2,813,000	96,015,000	238,601,000	91,635,000	330,236,000
Accrued salaries and benefits payable	167,864,000	416,000	—	—	—	—	168,280,000	32,792,000	201,072,000
Due to other funds	5,094,000	10,703,000	1,397,000	187,000	2,308,000	15,349,000	35,038,000	49,824,000	84,862,000
Deferred revenues	89,775,000	—	—	—	—	—	89,775,000	41,713,000	131,488,000
Accrued compensated absences	135,228,000	458,000	—	—	—	—	135,686,000	10,971,000	146,657,000
Capitalized lease obligations	—	—	—	—	—	784,737,000	784,737,000	12,933,000	797,670,000
Long-term debt obligations	—	—	—	—	—	678,645,000	678,645,000	276,660,000	955,305,000
Self-insurance claims liability	72,151,000	—	—	—	—	—	72,151,000	—	72,151,000
Depository accounts	—	—	—	—	20,059,000	—	20,059,000	32,500,000	52,559,000
Other liabilities	19,193,000	2,345,000	352,000	—	3,100,000	16,024,000	41,014,000	206,887,000	247,901,000
Total liabilities	621,712,000	20,450,000	2,587,000	187,000	28,280,000	1,590,770,000	2,263,986,000	755,915,000	3,019,901,000
Fund balances and net assets:									
Fund balances:									
Unrestricted – designated	542,391,000	—	—	—	—	—	542,391,000	37,225,000	579,616,000
Unrestricted – undesignated	—	—	—	—	—	—	—	11,892,000	11,892,000
Restricted	—	44,478,000	131,549,000	23,568,000	—	—	199,595,000	74,313,000	273,908,000
Unexpended plant, restricted	—	—	—	—	—	412,842,000	412,842,000	—	412,842,000
Net investment in plant	—	—	—	—	—	4,679,452,000	4,679,452,000	46,967,000	4,726,419,000
Total fund balances	542,391,000	44,478,000	131,549,000	23,568,000	—	5,092,294,000	5,834,280,000	170,397,000	6,004,677,000
Net assets:									
Unrestricted	—	—	—	—	—	—	—	358,978,000	358,978,000
Temporarily restricted	—	—	—	—	—	—	—	246,169,000	246,169,000
Permanently restricted	—	—	—	—	—	—	—	266,981,000	266,981,000
Total net assets	—	—	—	—	—	—	—	872,128,000	872,128,000
Total fund balances and net assets	542,391,000	44,478,000	131,549,000	23,568,000	—	5,092,294,000	5,834,280,000	1,042,525,000	6,876,805,000
Total liabilities, fund balances and net assets	\$ 1,164,103,000	64,928,000	134,136,000	23,755,000	28,280,000	6,683,064,000	8,098,266,000	1,798,440,000	9,896,706,000

See accompanying notes to combined financial statements.

**CALIFORNIA STATE UNIVERSITY**  
Combined Statement of Changes in Fund Balances and Net Assets  
Year ended June 30, 2001

	<b>Current funds</b>		<b>Loan funds</b>	<b>Endowment funds</b>	<b>Plant funds</b>	<b>Total University (memorandum only)</b>	<b>Auxiliary Organizations</b>	<b>Total reporting entity (memorandum only)</b>
	<b>Unrestricted</b>	<b>Restricted</b>						
Revenues and other additions:								
State appropriations	\$ 2,520,347,000	—	—	—	150,769,000	2,671,116,000	—	2,671,116,000
Fees and tuition	873,605,000	1,892,000	—	—	—	875,497,000	100,472,000	975,969,000
Investment income	47,835,000	1,619,000	2,502,000	—	9,161,000	61,117,000	4,593,000	65,710,000
Endowment income	78,000	932,000	24,000	319,000	—	1,353,000	18,016,000	19,369,000
Federal grants and contracts	6,019,000	352,071,000	2,375,000	—	—	360,465,000	239,269,000	599,734,000
State grants and contracts	721,000	99,011,000	56,000	—	—	99,788,000	112,315,000	212,103,000
Private gifts, grants, and contracts	12,009,000	28,619,000	114,000	383,000	37,289,000	78,414,000	253,187,000	331,601,000
Sales and service of educational activities	40,254,000	—	234,000	—	—	40,488,000	27,842,000	68,330,000
Sales and service of auxiliary enterprises	160,146,000	—	—	—	—	160,146,000	400,282,000	560,428,000
Expended for plant facilities (including current funds of \$112,195,000)	—	—	—	—	377,905,000	377,905,000	—	377,905,000
Retirement of indebtedness	—	—	—	—	189,082,000	189,082,000	—	189,082,000
Other	74,057,000	8,097,000	1,199,000	5,000	—	83,358,000	101,539,000	184,897,000
Total revenues and other additions	<u>3,735,071,000</u>	<u>492,241,000</u>	<u>6,504,000</u>	<u>707,000</u>	<u>764,206,000</u>	<u>4,998,729,000</u>	<u>1,257,515,000</u>	<u>6,256,244,000</u>
Expenditures and other deductions:								
Educational and general:								
Instruction	1,460,716,000	5,930,000	—	—	—	1,466,646,000	169,611,000	1,636,257,000
Research	3,480,000	27,342,000	—	—	—	30,822,000	121,179,000	152,001,000
Public service	14,717,000	32,384,000	—	—	—	47,101,000	112,446,000	159,547,000
Academic support	485,295,000	6,334,000	—	—	—	491,629,000	66,063,000	557,692,000
Student services	334,001,000	6,781,000	226,000	—	—	341,008,000	52,365,000	393,373,000
Institutional support	538,532,000	3,536,000	—	—	—	542,068,000	83,649,000	625,717,000
Operation and maintenance of plant	298,953,000	260,000	—	—	—	299,213,000	20,398,000	319,611,000
Student grants and scholarships	170,414,000	352,887,000	1,511,000	—	—	524,812,000	27,307,000	552,119,000
Total educational and general expenditures	<u>3,306,108,000</u>	<u>435,454,000</u>	<u>1,737,000</u>	<u>—</u>	<u>—</u>	<u>3,743,299,000</u>	<u>653,018,000</u>	<u>4,396,317,000</u>
Other expenditures:								
Auxiliary enterprise expenditures	147,947,000	—	—	—	—	147,947,000	428,870,000	576,817,000
Loan cancellations and write-offs	—	—	3,569,000	—	—	3,569,000	—	3,569,000
Expended for plant facilities (including noncapitalized of \$72,319,000)	—	—	—	—	338,029,000	338,029,000	6,124,000	344,153,000
Retirement of indebtedness	—	—	—	—	189,082,000	189,082,000	—	189,082,000
Interest on indebtedness	—	—	—	—	75,523,000	75,523,000	7,858,000	83,381,000
Disposal of plant facilities	—	—	—	—	42,338,000	42,338,000	414,000	42,752,000
Other	—	—	84,000	507,000	74,488,000	75,079,000	16,285,000	91,364,000
Total other expenditures	<u>147,947,000</u>	<u>—</u>	<u>3,653,000</u>	<u>507,000</u>	<u>719,460,000</u>	<u>871,567,000</u>	<u>459,551,000</u>	<u>1,331,118,000</u>
Total expenditures and other deductions	<u>3,454,055,000</u>	<u>435,454,000</u>	<u>5,390,000</u>	<u>507,000</u>	<u>719,460,000</u>	<u>4,614,866,000</u>	<u>1,112,569,000</u>	<u>5,727,435,000</u>
Transfers among funds – additions (deductions):								
Mandatory transfers:								
Federal program matching	(4,487,000)	4,124,000	363,000	—	—	—	—	—
Principal and interest	(41,815,000)	—	—	—	41,815,000	—	—	—
Payments on capital lease obligations	(115,004,000)	—	—	—	115,004,000	—	—	—
Nonmandatory transfers:								
Other	(16,819,000)	(40,183,000)	1,297,000	15,000	55,690,000	—	—	—
Total transfers	<u>(178,125,000)</u>	<u>(36,059,000)</u>	<u>1,660,000</u>	<u>15,000</u>	<u>212,509,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net increase in fund balances (net assets)	102,891,000	20,728,000	2,774,000	215,000	257,255,000	383,863,000	144,946,000	528,809,000
Fund balance and net assets at beginning of year	<u>439,500,000</u>	<u>23,750,000</u>	<u>128,775,000</u>	<u>23,353,000</u>	<u>4,835,039,000</u>	<u>5,450,417,000</u>	<u>897,579,000</u>	<u>6,347,996,000</u>
Fund balance and net assets at end of year	<u>\$ 542,391,000</u>	<u>44,478,000</u>	<u>131,549,000</u>	<u>23,568,000</u>	<u>5,092,294,000</u>	<u>5,834,280,000</u>	<u>1,042,525,000</u>	<u>6,876,805,000</u>

See accompanying notes to combined financial statements.



**CALIFORNIA STATE UNIVERSITY**

Combined Statement of Current Funds Revenues, Expenditures and Other Changes

Year ended June 30, 2001

	<b>Current Funds</b>		<b>Total (memorandum only)</b>
	<b>Unrestricted</b>	<b>Restricted</b>	
Revenues:			
State appropriations	\$ 2,520,347,000	—	2,520,347,000
Fees and tuition	873,605,000	1,892,000	875,497,000
Investment income	47,835,000	1,470,000	49,305,000
Endowment income	78,000	795,000	873,000
Federal grants and contracts	6,019,000	346,346,000	352,365,000
State grants and contracts	721,000	87,090,000	87,811,000
Private gifts, grants, and contracts	12,009,000	27,616,000	39,625,000
Sales and service of educational activities	40,254,000	—	40,254,000
Sales and service of auxiliary enterprises	160,146,000	—	160,146,000
Other	74,057,000	6,304,000	80,361,000
	<u>3,735,071,000</u>	<u>471,513,000</u>	<u>4,206,584,000</u>
Total current revenues			
Expenditures and mandatory transfers			
Educational and general:			
Instruction	1,460,716,000	5,930,000	1,466,646,000
Research	3,480,000	27,342,000	30,822,000
Public service	14,717,000	32,384,000	47,101,000
Academic support	485,295,000	6,334,000	491,629,000
Student services	334,001,000	6,781,000	340,782,000
Institutional support	538,532,000	3,536,000	542,068,000
Operation and maintenance of plant	298,953,000	260,000	299,213,000
Student grants and scholarships	170,414,000	352,887,000	523,301,000
	<u>3,306,108,000</u>	<u>435,454,000</u>	<u>3,741,562,000</u>
Total educational and general expenditures			
Auxiliary enterprises expenditures	147,947,000	—	147,947,000
	<u>147,947,000</u>	<u>—</u>	<u>147,947,000</u>
Transfers among funds – additions (deductions):			
Mandatory transfers:			
Federal program matching	(4,487,000)	4,124,000	(363,000)
Principal and interest	(41,815,000)	—	(41,815,000)
Payments on capital lease obligations	(115,004,000)	—	(115,004,000)
Nonmandatory transfers:			
Other	(16,819,000)	(40,183,000)	(57,002,000)
	<u>(178,125,000)</u>	<u>(36,059,000)</u>	<u>(214,184,000)</u>
Total transfers			
	<u>(178,125,000)</u>	<u>(36,059,000)</u>	<u>(214,184,000)</u>
Total expenditures and transfers	<u>3,632,180,000</u>	<u>471,513,000</u>	<u>4,103,693,000</u>
Excess of restricted receipts over transfers to revenues	<u>—</u>	<u>20,728,000</u>	<u>20,728,000</u>
Net increase (decrease) in fund balances	\$ <u>102,891,000</u>	<u>20,728,000</u>	<u>123,619,000</u>

See accompanying notes to combined financial statements.

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

### (1) Organization

California State University (the University) was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California, the University is reported as a component unit in the State of California's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, the chief executive officer of the University, and the University Presidents, the chief executive officers of the respective campuses. In addition to the Office of the Chancellor, the following 23 campuses comprise the California State University at June 30, 2001:

- California State University, Bakersfield
- California State University, Channel Islands
- California State University, Chico
- California State University, Dominguez Hills
- California State University, Fresno
- California State University, Fullerton
- California State University, Hayward
- Humboldt State University
- California State University, Long Beach
- California State University, Los Angeles
- California Maritime Academy
- California State University, Monterey Bay
- California State University, Northridge
- California State Polytechnic University, Pomona
- California State University, San Bernardino
- California State University, Sacramento
- San Diego State University
- San Francisco State University
- San Jose State University
- California Polytechnic State University, San Luis Obispo
- California State University, San Marcos
- Sonoma State University
- California State University, Stanislaus

The University provides instruction for baccalaureate, master's, doctorate and certificate programs, and operates various auxiliary enterprises such as student dormitories and parking facilities. In addition, the University administers a variety of financial aid programs which are funded primarily through state and federal programs.

### (2) Summary of Significant Accounting Policies

#### (a) *Financial Reporting Entity*

The accompanying combined financial statements present the combined financial position, changes in fund balances and current funds revenues, expenditures and other changes of the 23 campuses and the Office of the Chancellor of the California State University.

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

In addition, the accompanying combined financial statements include the accounts of 80 of the University's recognized Auxiliary Organizations. These organizations are legally separate entities that provide services primarily to the University's students. Such organizations include foundations, associated students, student unions, food service entities, book stores, and similar organizations. Foundations, whose fund balances and net assets comprise more than 75% of the discretely presented totals, carry out a variety of campus-related activities. Such activities consist primarily of administering grants from governmental and private agencies for research as well as soliciting and accepting donations, gifts and bequests for University-related use. Separate financial statements are issued for each of the recognized Auxiliary Organizations listed below and may be obtained from the individual campuses.

The discretely presented Auxiliary Organizations are as follows:

- California State University Institute
- California State University Foundation
- California State Bakersfield Foundation
- California State University, Bakersfield Student Union
- Associated Students, Inc. California State University, Bakersfield
- California State University, Channel Islands Foundation
- The CSU, Chico Research Foundation
- Associated Students of California State University, Chico
- The University Foundation, California State University, Chico
- Associated Students, Inc. California State University, Dominguez Hills
- California State University, Dominguez Hills Foundation
- Donald P. and Katherine B. Loker University Student Union, Inc.
- Associated Students California State University, Fresno
- The Agricultural Foundation of California State University, Fresno
- California State University, Fresno Association, Inc.
- The California State University, Fresno Athletic Corporation
- California State University, Fresno Foundation
- Fresno State Programs for Children, Inc.
- California State University, Fullerton, Foundation
- Associated Students California State University, Fullerton, Inc.
- University Advancement Foundation (Fullerton)
- California State University, Hayward Foundation, Inc.

# **CALIFORNIA STATE UNIVERSITY**

## **Notes to Combined Financial Statements**

June 30, 2001

- University Union, Inc. of California State University, Hayward
- Associated Students, Inc. of California State University, Hayward
- Cal State Hayward Educational Foundation
- Associated Students of Humboldt State University
- Humboldt State University Center Board of Directors
- Humboldt State University Foundation
- California State University, Long Beach Foundation
- Forty-Niner Shops, Inc. (Long Beach)
- Associated Students, California State University, Long Beach
- Cal State L.A. University Auxiliary Services, Inc.
- California State Los Angeles Foundation
- Associated Students, Inc. California State University Los Angeles
- University – Student Union, Inc., California State University, Los Angeles
- Associated Students of the California Maritime Academy
- California Maritime Academy Foundation, Inc.
- Foundation of California State University, Monterey Bay
- CSUMB Employee Housing, Inc.
- University Student Union of California State University, Northridge
- North Campus – University Park Development Corporation (Northridge)
- Associated Students, California State University, Northridge, Inc.
- The University Corporation (Northridge)
- The California State University, Northridge Foundation
- The Cal Poly Pomona Foundation, Inc.
- Associated Students, Incorporated, California State Polytechnic University, Pomona
- Cal Poly Pomona University Educational Trust
- Associated Students of California State University, Sacramento
- California State University, Sacramento Trust Foundation, Inc.
- California State University Sacramento Foundation
- University Union Operation of California State University, Sacramento
- Capital Public Radio, Inc. (Sacramento)

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

- Associated Students California State University, San Bernardino
- Student Union of California State University, San Bernardino
- Foundation for the California State University, San Bernardino
- Associated Students, San Diego State University
- Aztec Shops, Ltd. (San Diego)
- San Diego State University Foundation
- The Campanile Foundation (San Diego)
- Associated Students of San Francisco State University
- Franciscan Shops, Inc. (San Francisco)
- San Francisco State University Foundation, Inc.
- San Francisco State University Student Center
- Associated Students, Inc. San Jose State University
- The Student Union of San Jose State University
- Spartan Shops, Inc. (San Jose)
- San Jose State University Foundation
- California Polytechnic State University Foundation (San Luis Obispo)
- Associated Students, Inc. of California Polytechnic State University at San Luis Obispo and University Union Cal Poly State University
- California State University, San Marcos Foundation
- Associated Students of California State University, San Marcos
- Sonoma State Enterprises, Inc.
- Associated Students of Sonoma State University
- Sonoma Student Union Corporation
- Sonoma State University Academic Foundation, Inc.
- California State University, Stanislaus Foundation
- Associated Students Incorporated of California State University, Stanislaus
- University Union of California State University Stanislaus
- California State University, Stanislaus – Stockton Auxiliary Services Corporation
- California State University, Stanislaus Auxiliary and Business Services

The Auxiliary Organizations are presented as component units of the University due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to their close affiliation to the University. The Auxiliary Organizations are discretely

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

presented to allow the financial statement users to distinguish between the University and the Auxiliary Organizations. None of the Auxiliary Organizations are considered individually significant to the total discretely presented Auxiliary Organizations.

All significant intercampus transactions have been eliminated.

The accompanying financial statements also include the *California State University Risk Management Authority*, the *California State University Headquarters Authority* and the *CSUCI Financing Authority* which are included as blended component units. These entities primarily provide services to the University in the areas of risk management and debt financing. The University is financially accountable for these organizations.

### (b) ***Basis of Presentation***

The accompanying University financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and are presented utilizing the financial statement model of the American Institute of Certified Public Accountants' Industry Audit Guide, *Audits of Colleges and Universities*.

The combined statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income and expenses.

### (c) ***Fund Accounting***

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. This is done in accordance with regulations, restrictions, or limitations imposed by donors or sponsoring agencies outside the University, or in accordance with directives issued by the Trustees.

A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance, and changes in the fund balance. Separate accounts are maintained for each fund; however, funds with similar characteristics are combined into fund groups for reporting purposes. These funds are accounted for as mutually exclusive units and include the following:

- **Current Funds** – Used primarily to account for transactions that are expended in performing the primary and support objectives of the University, i.e., instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships and auxiliary enterprise activities. Current funds are segregated into separately balanced fund groups as follows:

# **CALIFORNIA STATE UNIVERSITY**

## **Notes to Combined Financial Statements**

June 30, 2001

- **Unrestricted**– Used to account for transactions related to the University’s State of California general fund appropriations, transactions of auxiliary enterprises and other substantially self-supporting activities. Auxiliary enterprises include, but are not limited to, intercollegiate athletics, parking and student housing and are separate and distinct from the recognized Auxiliary Organizations discussed in the Financial Reporting Entity section above. Assets, liabilities and fund balances of auxiliary enterprises are combined with other unrestricted current funds for reporting purposes. Revenues and

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

expenditures of auxiliary enterprises are reported separately. Self-supporting activities primarily provide services for students, faculty and staff and are funded by fees, unrestricted gifts and other income designated for specific purposes by the Trustees.

Fund balances, even though considered unrestricted for reporting purposes, have legislative or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures from the funds may be made, and designate fund balances to support future operations in those areas. Primary among the funds which have designated uses are those related to the operations of housing programs.

- **Restricted** – Used to account for current funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.
- **Loan Funds** – Consist primarily of funds received from the federal and state governments for student loans. Funds under the federal and state loan programs may be reloaned after collection, but are ultimately refundable to the federal and state governments.
- **Endowment Funds** – Consist of donated funds that, as a condition of the gift, generally require the principal to be invested in perpetuity.
- **Agency Funds** – Consist of resources held by the University primarily on behalf of Auxiliary Organizations in the capacity of custodian or fiscal agent. As these funds are custodial in nature and transactions do not represent activities carried out by the University, such transactions are not included in the statement of changes in fund balances.
- **Plant Funds** – Consist primarily of property, plant, equipment, library books, bound periodicals and collections and the related debt. This fund also accounts for transactions related to the University's State of California capital outlay appropriations.

### (d) *Investments*

University investments are generally reflected at fair value using quoted market prices when available, otherwise at cost or amortized cost. Gains and losses on the investments are included in the accompanying combined statement of changes in fund balances and net assets as investment income.

### (e) *Property, Plant and Equipment*

Property, plant and equipment assets are stated at cost or estimated historical cost when purchased and at estimated fair value when donated. Equipment with a value of less than \$5,000 is not capitalized. Title to all campus and Chancellor's Office assets, whether purchased, constructed, or donated, is held by the State of California. No provision for depreciation has been recorded in the accompanying combined financial statements for these assets.



# **CALIFORNIA STATE UNIVERSITY**

## **Notes to Combined Financial Statements**

June 30, 2001

**(f) Due to/from Other Funds**

Interfund borrowings and claims that have been made between funds are generally payable within one year without interest.

**(g) Deferred Revenues**

Deferred revenues consist primarily of fees collected in advance for summer school as well as continuing education fees.

**(h) Compensated Absences**

University employees accrue annual leave at rates based on length of service and job classification.

**(i) State Appropriations**

The State of California appropriates funds to the University on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue when authorization is received and are reported in either the Current Unrestricted Fund when used to support general operations or in the Plant Fund when used for capital projects. State appropriations revert back to the State of California after five years.

**(j) Income Taxes**

The University is an Agency of the State of California and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal or state income taxes. However, the University remains subject to income taxes on any net income which is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the combined financial statements taken as a whole.

The University has not undergone any recent Internal Revenue Service or state income tax audits. No taxes have been provided for any assessments that may result from such audits; since in the opinion of management, any such possible assessments would not be material to the combined financial statements taken as a whole.

**(k) Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

### (1) *Total Columns (Memorandum Only)*

The total columns on the accompanying financial statements are captioned (memorandum only) to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation as interfund eliminations have not been made. Therefore, amounts in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

### (3) **Cash, Cash Equivalents and Investments**

The deposits of the University, included as cash and cash equivalents in the accompanying combined financial statements, are maintained at financial institutions and are fully insured or collateralized as required by state law.

State law and regulations stipulate the eligible securities for investment of surplus monies for the University. The University's investment policy authorizes excess funds to be invested in obligations of the federal and California state governments, certificates of deposit and certain other investment instruments.

At June 30, 2001, the University's investments are pooled at both the campus and systemwide levels. Separate accounting is maintained as to the amounts allocable to the various campuses, funds and programs. Investments at carrying value for the University consisted of the following at June 30, 2001:

	<u>Carrying amount</u>
State of California Local Agency Investment Fund	\$ 10,953,000
Met West Total Return Fund	144,076,000
Met West Short-Term Fund	145,617,000
Met West Long-Term Fund	9,119,000
Collateralized mortgage obligations:	
Inverse floaters	4,590,000
Agency and private pass-through	7,889,000
State of California Surplus Money Investment Fund	609,473,000
	<u>\$ 931,717,000</u>

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

As noted above, the University's investment portfolio includes investments in collateralized mortgage obligations, as follows:

- **Inverse floaters**, which are securities in which the investor receives cash flow representing principal from underlying mortgages plus a rate of interest calculated under formulas which vary inversely to the stipulated short-term interest market rate index. Inverse floaters are guaranteed by the issuer (FNMA or FHLMC) as to return of principal and timely payment of interest calculated in accordance with the terms of the investments.
- **Agency and private pass-through securities**, which are securities in which the investor receives a pro rata share of principal and interest payments passed through from the underlying mortgages which are issued primarily by FNMA and FHLMC.

Approximately \$8,142,000 of the investments reported in the agency funds at June 30, 2001 is invested under contractual agreements on behalf of the Auxiliary Organizations of the University.

For information regarding the investments of the discretely presented Auxiliary Organizations, please refer to the separately issued Auxiliary Organizations' reports.

### (4) Receivables

Receivables at June 30, 2001, by fund, are comprised of the following:

#### Current Unrestricted Funds

State appropriations	\$ 236,714,000
Auxiliary Organizations	22,105,000
Student accounts, net of allowance for doubtful accounts of \$7,760,000	11,354,000
Other, net of allowance for doubtful accounts of \$1,385,000	61,891,000
	<u>\$ 332,064,000</u>

#### Current Restricted Funds

Government grants and contracts	\$ 22,427,000
Other, net of allowance for doubtful accounts of \$501,000	3,032,000
	<u>\$ 25,459,000</u>

#### Loan Funds

Student loans receivable, net of allowance for doubtful accounts of \$23,132,000	\$ 115,737,000
Other	2,944,000
	<u>\$ 118,681,000</u>

#### Endowment Funds

Other	\$ <u>895,000</u>
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#### Agency Funds

Government grants and Federal Direct Loan Program	\$ <u>2,307,000</u>
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#### Plant Funds

State appropriations for capital projects	\$ 329,565,000
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# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

Other	73,613,000
	<u>\$ 403,178,000</u>

### (5) Property, Plant and Equipment

Property, plant and equipment at June 30, 2001 includes the following:

Land	\$ 106,260,000
Buildings and building improvements	3,973,138,000
Improvements, other than buildings	479,722,000
Equipment	655,207,000
Library books, bound periodicals and collections	517,628,000
Construction work in process	305,777,000
	<u>\$ 6,037,732,000</u>

### (6) Lease Obligations

The University is obligated under various capital and operating leases. Substantially all of the capital leases are a result of the University's participation with the State of California in the State Public Works Board Lease Revenue Bond program. The University has participated in this program since 1986 in connection with the construction of campus facilities and related equipment. Current California law permits the State Public Works Board (SPWB) to authorize the sale of bonds to construct certain state facilities if there is a revenue stream that can be pledged to repay the obligations. The process is described in brief as follows:

- The University and the State of California Department of Finance agree to the construction of one or more facilities to be funded by SPWB bonds. The projects are approved as part of the University's capital outlay budget.
- The SPWB approves the sale of bonds for the project(s) and the University agrees to execute certain legal documents in connection with the financing, including a site lease to the SPWB, a construction agreement to construct the facility for the SPWB, and a Facility Lease to lease the completed facility from the SPWB for annual rental payments.
- Prior to the execution of the Facility Lease, the University receives a short-term loan from the State of California Pooled Money Investment Board to provide working capital for initial phases of the construction.
- Once construction contracts are signed, the bonds are sold by the SPWB, the construction loan is repaid, and site leases and facility leases are executed requiring semiannual lease payments, beginning upon completion of the facilities, by the Trustees that are used to pay principal and interest on the bonds.
- As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required lease payments.

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

Capital leases consist primarily of leases of campus facilities, but also include certain computer, energy efficiency and telecommunications equipment. Total assets related to capital leases have a carrying value of \$835,118,000 at June 30, 2001. Substantially all of these assets are pledged as security for the related leases. The leases bear interest at rates ranging from 2.50% to 20% and have terms expiring in various years through 2022.

Operating leases consist primarily of leases for the use of real property. The University's operating leases having remaining terms of more than one year expire in various fiscal years through 2024. The leases can be canceled if the State does not provide adequate funding. Some of these leases are with related Auxiliary Organizations for the rental of office space used in the operations of the University. Total operating lease expenditures for the year ended June 30, 2001 were approximately \$9,467,000, of which \$4,324,000 was paid to related Auxiliary Organizations.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year as of June 30, 2001 are as follows:

	<u>Capital leases</u>	<u>Operating leases</u>
Year ending June 30:		
2002	\$ 92,932,000	9,552,000
2003	87,698,000	8,079,000
2004	78,902,000	7,126,000
2005	77,222,000	5,937,000
2006	74,141,000	5,911,000
2007 and thereafter	761,460,000	154,554,000
Total minimum lease payments	1,172,355,000	\$ 191,159,000
Less amount representing interest	(387,618,000)	
Present value of future minimum lease payments	\$ 784,737,000	

### (7) Long-Term Debt Obligations

#### (a) General Obligation Bond Program

The General Obligation Bond program of the State of California has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds which is allocated on a project-by-project basis among the California State University, the University of California and the Community Colleges. Financing provided to the University through State of California General Obligation Bonds is not allocated to the University by the State of California. This debt remains the obligation of the state and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying combined financial statements. Total General Obligation Bond debt carried by the state related to California State University projects is approximately \$483,000,000.

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

**(b) Revenue Bond Programs**

The Revenue Bond Act of 1947 provides the Board of Trustees with the ability to issue revenue bonds to fund four specific self-supporting programs. The statute has enabled the Trustees to finance student housing, parking facilities, student unions and health centers. Outstanding bonds at June 30, 2001 consist of campus student housing, parking and student union bonds.

The housing program provides on-campus housing primarily for students. Housing is a self-supporting program deriving its revenues from fees collected for the use of the residence facilities. Funds are used for current operating expenses, maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The student union program provides facilities and programs aimed at creating and enhancing learning experiences outside the classroom by promoting interaction among students, faculty and staff. The student union program is self-supporting and derives its revenues primarily from student fees and interest income. Funds are used for maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. After payment of all authorized charges, the balances of these funds are available for transfer to the campus Auxiliary Organization that has contracted with the University to operate the facility. The operating entity may derive additional revenue from facility subrental, recreational and commercial activities, and interest income.

The parking program provides parking facilities. The parking program is self-supporting and derives its revenues primarily from student fees and interest income. Funds are used for construction, repair and maintenance, and principal and interest payments on outstanding bonds. Available balances after payment of all operating expenses and required charges remain available for future program expenses and capital needs.

The net revenues from the housing, student union, and parking programs are pledged to retire the related revenue bonds. Amounts outstanding under these programs total \$487,453,000 at June 30, 2001.

**(c) Headquarters Building Authority**

The California State University Headquarters Authority was established to issue Lease Revenue Bonds for the initial purpose of financing the University's previous headquarters building. Subsequent lease revenue bonds were issued to refund the outstanding obligations and provide additional funding for the construction of the new Office of the Chancellor. The related lease revenue bonds outstanding at June 30, 2001 total \$29,915,000.

**(d) Deferred Maintenance Projects**

During the year ended June 30, 1996, the University entered into an agreement with the California State University Institute (the Institute), a recognized Auxiliary Organization of the University, whereby the Institute acted as a conduit to facilitate a \$43,095,000 financing arrangement for deferred maintenance projects in the University system. Amounts outstanding under this arrangement totaled \$30,085,000 at June 30, 2001.

# **CALIFORNIA STATE UNIVERSITY**

## **Notes to Combined Financial Statements**

June 30, 2001

**(e) *Financing Authority***

The Channel Islands Financing Authority was formed to provide financing for public capital improvements at the Channel Islands campus. Revenue bonds outstanding at June 30, 2001 relating to the Channel Islands Financing Authority totaled \$49,460,000.

**(f) *Bond Anticipation Notes***

The University has issued Revenue Bond Anticipation Notes to finance the development and construction of housing and student union facilities. The Revenue Bond Anticipation Note is a short-term borrowing vehicle used in anticipation of issuing permanent revenue bonds at a future date. Amounts outstanding under the Revenue Bond Anticipation Notes totaled \$71,100,000 at June 30, 2001.

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

Long-term debt obligations of the University as of June 30, 2001 consist of the following:

Description	Interest rate	Fiscal year maturity date	Original issue amount	Amount outstanding
<b>Housing System Revenue Bonds:</b>				
Series B (Chico, Fresno, Humboldt, Long Beach, Northridge, Pomona, San Diego, San Francisco, San Jose and San Luis Obispo campuses)	3%	2006/07	\$ 34,110,000	7,645,000
Series J – Northridge campus	3	2019/20	3,838,000	2,483,000
Series K – Dominguez Hills campus	3	2019/20	3,730,000	2,915,000
Series L – San Diego campus	3	2020/21	4,930,000	3,265,000
Series M – San Francisco campus	3	2020/21	580,000	390,000
Series N – Chico campus	3	2021/22	4,320,000	3,470,000
Series P – San Francisco campus	3	2021/22	1,140,000	785,000
Series Q – San Diego campus	3	2021/22	555,000	380,000
Series U – San Jose campus	3	2012/13	3,500,000	1,860,000
Series Y – Long Beach campus	3	2013/14	2,000,000	1,130,000
Series AT – 1994 Refunding Bonds (Long Beach and Northridge campuses)	5.625 – 7.625	2018/19	16,510,000	15,255,000
Series AU – Humboldt campus	4.9 – 6.9	2016/17	4,000,000	3,535,000
Series AV – 1996 Refunding Bonds (Dominguez Hills, Fullerton, Hayward, Humboldt, Long Beach, Los Angeles, Northridge, Sacramento, San Diego, San Francisco and Sonoma campuses)	4.25 – 6.3	2021/22	138,375,000	136,790,000
Series AW – Chico campus	4.75 – 5	2017/18	4,580,000	4,410,000
Series AX – Sonoma campus	4.75 – 5.2	2030/31	29,095,000	29,095,000
Series AY – San Diego campus	4.5 – 5.75	2031/32	39,840,000	39,840,000
Series AZ – San Bernardino campus	4.5 – 7.5	2031/32	12,810,000	12,810,000
			303,913,000	266,058,000



# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

Description	Interest rate	Fiscal year maturity date	Original issue amount	Amount outstanding
<b>Student Union Revenue Bonds :</b>				
Series A – Bakersfield campus	6 – 8%	2022/23	\$ 1,780,000	1,590,000
Series A – Chico campus	3	2006/07	1,100,000	265,000
Series B – Chico campus	4 – 12	2028/29	23,370,000	23,040,000
Series A – Dominguez Hills campus	6.25 – 8.25	2020/21	2,700,000	2,345,000
Series B – Fresno campus	4.9 – 6.9	2025/26	4,890,000	4,540,000
Series C – Fullerton campus – Refunding Bonds	5.25 – 5.4	2020/21	9,590,000	9,230,000
Series A – Hayward campus – Refunding Bonds	5.5 – 7.5	2012/13	1,415,000	1,075,000
Series B – Long Beach campus	4.9 – 6.9	2026/27	13,130,000	12,545,000
Series B – Los Angeles campus	5.375 – 5.6	2026/27	6,580,000	6,185,000
Series A – Northridge campus	7.4 – 7.5	2001/02	4,700,000	390,000
Series B – Northridge campus	6 – 8	2022/23	14,200,000	2,240,000
Series C – Northridge campus	4 – 5.63	2022/23	11,325,000	11,200,000
Series B – Pomona campus	5 – 6	2019/20	2,065,000	1,960,000
Series C – Pomona campus	5 – 6.75	2030/31	20,980,000	20,980,000
Series B – Sacramento campus	5.5 – 7	2021/22	900,000	790,000
Series C – Sacramento campus	5 – 7	2025/26	22,275,000	21,175,000
Series B – San Bernardino campus	6 – 8	2021/22	3,200,000	2,825,000
Series A – San Diego campus	3	2006/07	2,940,000	705,000
Series B – San Diego campus	5 – 6.125	2024/25	31,160,000	10,865,000
Series C – San Diego campus	4 – 5.63	2024/25	19,770,000	19,665,000
Series A – San Francisco campus	4.5 – 5.25	2002/03	6,500,000	800,000
Series B – San Francisco campus	4 – 12	2023/24	12,950,000	12,670,000
Series A – San Jose campus	3	2006/07	3,240,000	775,000
Series D – San Jose campus – Refunding Bonds	4.5 – 6.5	2019/20	23,070,000	20,445,000
Series A – San Luis Obispo campus	3	2007/08	3,000,000	820,000
Series B – San Luis Obispo campus	4 – 9.875	2025/26	4,650,000	4,465,000
Series A – Sonoma campus	7.6 – 7.7	2001/02	1,050,000	90,000
Series A – Stanislaus campus	6.1 – 6.2	2001/02	375,000	25,000
Series B – Stanislaus campus	6.3 – 8.3	2020/21	900,000	785,000
			253,805,000	194,485,000

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

Description	Interest rate	Fiscal year maturity date	Original issue amount	Amount outstanding
<b>Headquarters Building Authority –</b>				
Lease Revenue Bonds, Series B	3.9 – 5.25	2022/23	\$ 30,680,000	29,915,000
<b>Deferred Maintenance Projects</b>	3.73 – 4.107	2009/10	43,095,000	30,085,000
<b>Parking Revenue Bonds:</b>				
San Diego Campus, Series A	4.3 – 12	2023/24	13,100,000	12,815,000
San Diego Campus, Series B	4.3 – 12	2023/26	14,095,000	14,095,000
			27,195,000	26,910,000
<b>Financing Authority – Channel Islands</b>				
Revenue Bonds	3.85 – 5.25	2031/32	49,460,000	49,460,000
<b>Bond Anticipation Notes:</b>				
Housing System, Fullerton	Variable	2001/02	21,061,000	20,920,000
Housing System, San Luis Obispo	Variable	2001/02	46,868,000	46,823,000
Student Union, Humboldt	Variable	2001/02	3,368,000	3,357,000
			71,297,000	71,100,000
<b>Other</b>	Various	Various	15,253,000	10,632,000
			\$ 794,698,000	678,645,000

Long-term debt principal obligations outstanding at June 30, 2001 mature in the following fiscal years:

2002	\$ 91,188,000
2003	19,716,000
2004	20,442,000
2005	21,389,000
2006	22,201,000
2007 - 2011	111,951,000
2012 – 2016	117,550,000
2017 – 2021	124,828,000
2022 – 2026	78,780,000
2027 – 2031	50,210,000
2032 - 2036	20,390,000
	\$ 678,645,000

### (g) *Debt Refundings*

#### Prior Refundings

The University has defeased certain Student Union Revenue Bonds in prior fiscal years by placing a portion of the proceeds from the refunding bonds in irrevocable trusts with the State Treasurer to

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

provide for all future debt service payments on the old bonds. The proceeds from the refunding bonds were used to purchase U.S. Government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the accompanying combined financial statements. As of June 30, 2001, the amount of defeased outstanding debt amounted to \$28,625,000.

### (8) Pension Plan and Postretirement Benefits

#### (a) *Plan Description*

The University, as an agency of the State of California, contributes to the California Public Employees' Retirement System (CalPERS). The state's plan with CalPERS is an agent multiple-employer defined benefit pension plan. For the University, the plan acts as a cost-sharing multiple-employer defined benefit pension plan which provides a defined benefit pension and postretirement benefit program for substantially all eligible University employees. CalPERS functions as an investment and administrative agent for its members. The plan also provides survivor, death and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits.

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, California 95814.

#### (b) *Funding Policy*

University personnel are required to contribute 5% of their annual earnings in excess of \$513 per month to CalPERS. The University is required to contribute at an actuarially determined rate; the current rate is approximately 0% of annual covered payroll. The contribution requirements of the plan members are established and may be amended by CalPERS.

The University's contributions to CalPERS for the most recent three fiscal years were equal to the required contributions and were as follows:

1999	\$	132,581,000
2000		18,720,000
2001		1,829,000

### (9) Self-Insurance Claims Liability

The University and certain Auxiliary Organizations have established a public entity risk pool to manage centrally workers' compensation, industrial and nonindustrial disability, and general organizational risks. The liability included in the accompanying combined financial statements reflects the estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2001. The liability includes the

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is estimated through an actuarial calculation using individual-case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is reasonably adequate at June 30, 2001.

Changes in the self-insurance claims liability for the two years ended June 30, 2001 are as follows:

Liability at June 30, 1999	\$ 72,123,000
Incurred claims and changes in estimates	17,612,000
Claim payments	<u>(28,058,000)</u>
Liability at June 30, 2000	61,677,000
Incurred claims and changes in estimates	43,779,000
Claim payments	<u>(33,305,000)</u>
Liability at June 30, 2001	<u>\$ 72,151,000</u>

At June 30, 2001, approximately \$30,496,000 in net assets have been set aside to fund the claims liability. The University maintains excess general liability insurance coverage provided by Schools Excess Liability Fund (SELF), a Joint Powers Authority, with coverage for individual claims between \$1,000,000 and \$24,000,000 per occurrence. The University also maintains excess workers' compensation insurance provided by SELF for individual claims over \$350,000 per occurrence. There have been no settlements in the most recent three fiscal years that have exceeded insurance limits.

### (10) Commitments and Contingencies

#### (a) *Litigation*

The State of California is a defendant in multiple lawsuits involving University matters not included in the risk pool discussed in note 9. An accrual has been made for certain liabilities considered probable of assertion. Management of the University is of the opinion that the remaining liability, if any, arising from litigation will not have a material effect on the financial position of the University.

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the University.

#### (b) *Construction Commitments*

Authorized expenditures for construction projects unexpended as of June 30, 2001 totaled \$291,322,000. These expenditures will be funded primarily through state appropriations.

# CALIFORNIA STATE UNIVERSITY

## Notes to Combined Financial Statements

June 30, 2001

### (11) Transactions with Related Entities

The California State University is an agency of the State of California and, as such, processes substantially all of its revenue and expenditure activity through the Office of the California State Controller. State appropriations allocated to the University aggregated approximately \$2.7 billion for the year ended June 30, 2001. State appropriations receivable aggregated \$566,279,000 at June 30, 2001.

### (12) New Accounting Pronouncements

In November 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – For Public Colleges and Universities*. This statement will require extensive changes in the way public colleges and universities report financial position and results in their external financial statements. Specifically, it establishes a new format for the basic financial statements, full accrual accounting, management discussion and analysis, and other required supplementary information. This statement becomes effective for the fiscal year ending June 30, 2002.

In June 2001, the GASB also issued Statements Nos. 37 and 38, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments: Omnibus and Certain Financial Statement Note Disclosures*. These statements further define the presentation and note disclosures required under Statement No. 35. These statements are required to be implemented simultaneously with the implementation of Statement No. 35.

The University will adopt Statements 35, 37 and 38 as of July 1, 2001. The effect of these statements on the University’s financial statements has not yet been determined.



**The California State University  
Statement of Revenue Bonded Indebtedness  
as of March 2, 2002**

<u>Bond Issue</u>	<u>Outstanding Amount</u>
Headquarters Building Authority Revenue Bonds	29,115,000
Housing System Revenue Bonds (1)	367,295,000
Parking System Revenue Bonds:	
San Diego	26,400,000
Student Union Revenue Bonds:	
Bakersfield	1,555,000
Chico	22,895,000
Dominguez Hills	2,345,000
Fresno	4,450,000
Fullerton	8,960,000
Hayward	1,075,000
Humboldt	0
Long Beach	12,320,000
Los Angeles	6,070,000
Northridge	13,115,000
Pomona	22,875,000
Sacramento	21,525,000
San Bernardino	2,760,000
San Diego	30,475,000
San Francisco	12,680,000
San Jose	20,440,000
San Luis Obispo	5,080,000
Sonoma	0
Stanislaus	810,000
Total Revenue Bonds Outstanding	612,240,000
State Public Works Board Lease Revenue	642,710,000
CSU Institute/CSU Deferred Maintenance	30,085,000
San Bernardino Continuing Education Building	1,055,000
CSUCI Financing Authority Infrastructure & Construction Loan	96,275,000
	770,125,000
Total CSU Long Term Debt	1,382,365,000

(1) Includes \$109,612,000 in bond anticipation notes which secure a portion of the outstanding commercial paper of the California State University Institute.